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OGC 70-1804

26 October 1970

MEMORANDUM FOR: [REDACTED] OSP

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SUBJECT: Taxability of Education Allowances
and Value of Quarters Provided
to Contractor Employees

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1. In accordance with our agreement with [REDACTED] I have researched these questions and discussed them with Internal Revenue Service officials. In my opinion the answer to the education allowance question is clear and does not justify a request for a Revenue ruling. However, if the contractor corporations feel otherwise, there is nothing to be lost in requesting a ruling. The answer to the question of taxability of the value of quarters is less certain, and I think, in the interest of the contractor employees, a formal request for a Revenue ruling should be made by each of the contractor corporations. Attached is my draft of a suggested ruling request. The corporations may modify it if they wish, but I strongly suggest that if they do, they consult us first and I also suggest that each company submit an identical request.

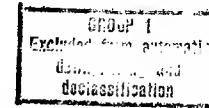
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2. Mr. Hartsock told us that [REDACTED] is giving an education allowance for secondary education to its employees on the grounds that secondary schools in [REDACTED] are not adequate. The allowance is essentially the same as that provided by statutes for Government employees but is limited to a maximum of \$2,000 per year. The allowance for Government employees is specifically exempt from taxation by statute. There is no provision in the Internal Revenue Code or regulations for the exemption of such allowances provided by private companies to their employees.

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OGC Has Reviewed

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